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Defining the Buyer of the Future

By ANTOINETTE MARTIN

FLUX and turmoil will not rule the state's residential real estate market forever, as all market specialists agree. But what comes afterward?

"The question isn't 'When do things go back to normal?' " declared Rutgers University's planning and public policy dean, James W. Hughes. "It's 'What will the new normal look like?' "

The short answer from the housing trend analyst Jeffrey G. Otteau: "very different." Economic, financial and sociological changes now in progress will effectively morph the profile of the typical home buyer over the next 15 years, said Mr. Otteau, whose company, the Otteau Valuation Group, issues monthly reports on trends to subscribing brokers and developers.

"Most striking are numbers that indicate the typical buyer of the future will be childless," Mr. Otteau said in a recent interview. "Either single, part of a childless couple, or with grown children."

Although half of all American households included children in the 1980s, he noted, only a third did by 2000.

"This is not a temporary wrinkle," he said. "With the so-called Generation Y turning age 30 at the rate of 11,000 per day, and baby boomers retiring at the rate of 10,000 per day in this country, our calculations are that within 10 to 15 years, 75 percent of those buying homes in this region will be childless." He believes Generation Y will be less likely to bear children than previous generations, based on trends he already sees in places like Hoboken.

Another major change is that an overwhelming majority of buyers for at least a decade will consider "value" much more important than luxury features or amenities. Economic fallout from the collapse of various Manhattan financial institutions will affect the entire metropolitan region, keeping consumers in a value-oriented mind-set for the foreseeable future, or until new "economic drivers" are found, Mr. Otteau said.

He predicted that these two strong trends — childlessness and economy-mindedness — would combine to have a "topsy-turvy" effect on what has traditionally been considered the most desirable type of housing: the spacious single-family home in a suburban town with great schools.

"One of the themes we see emerging is that community school systems become a detriment rather than an asset," Mr. Otteau said. Although some members of Generation Y obviously will have children and will care about schools, he said, a majority of buyers will be concerned not with school quality but with lower property taxes.

Other factors increasingly important to buyers, as documented by both the Otteau reports and research from the Rutgers University public policy school, are energy costs, commuting time and the availability of mass transit. All these elements enhance the appeal of urban settings.

"Wow, that does all seem to apply to me," said Michael Hong, a 27-year-old freelance TV editor, who bought his first home last month. Mr. Hong, who is single, bought a two-bedroom two-bath condominium at the Thread Building, which recently opened in Union City.

"The main reason I purchased my unit is that the price was amazing," said Mr. Hong, who paid $420,000 for a 1,150-square-foot seventh-floor corner apartment with expensive finishes and an expansive view across the Hudson River.

"That, and I work a lot in Manhattan," he said. "I catch the bus on the corner outside the building, and I'm there in 10 minutes." The Thread is near the western end of the Lincoln Tunnel.

Mr. Otteau said that by his choice of Union City, Mr. Hong exhibited another characteristic of the typical buyer of the future. "Buyers will increasingly choose to locate in a secondary market to find cost advantages," he said. Manhattan and Hoboken, which borders Union City, "are primary markets, with Union City a secondary alternative," he added.

Construction of the Thread Building started in 2007, when the housing market in Manhattan and Hoboken was still at its peak. Developers said then that they were positioning the Thread to provide "Manhattan-style" quality and amenities at a lower price point. The building has a fitness center, a billiards room, a rooftop terrace with a pet area, and a lounge with a large-screen TV.

As for developers of the future, Mr. Otteau said they were likely to start paring down the amenities, especially as many are being forced to sell properties for less than it cost to build them.

That will be just fine with the buying public — who will “also demand smaller and more efficient housing with less glitz,” he said, “fewer open common areas, not-so-high ceilings, and not-necessarily-designer cabinets.”

In downtown Morristown, where the 40 Park condominium building is going up a few blocks from the train station, the developer, Stephen A. Santola, said relatively affluent buyers still want amenities like a fitness center, in-house film theater and well-equipped lounge.

“We’ve sold 50 percent of our units at a time when nobody is selling anything,” said Mr. Santola, an executive vice president with Woodmont Properties.

Espousing the opposite view, Paul T. Csik, a senior vice president of American Properties, which has long positioned its condominium projects to be “affordable,” said that “the time for our type of housing is now.”

“Our product, which is generally priced below $300,000, does clearly appeal to the childless, single or retired demographic,” he added.

At the Preserve at Matawan, now under construction, 40 percent of the units were sold in three months, he said. The 157-unit project offers two-bedroom two-bath units starting at $269,990.

Like other American Properties condo communities in Ewing and Eatontown, the Preserve is designed to have a clubhouse and fitness center. Units have Formica countertops, Kitchen Craft cabinetry, and nine-foot ceilings.